

JPRS 80538

12 April 1982

# Latin America Report

No. 2480

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12 April 1982

## LATIN AMERICA REPORT

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## CONTENTS

## ENERGY ECONOMICS

## ECUADOR

Petroleum Sector Faces Obstacles to Increased Production (Eliodoro Aillon; EL COMERCIO, 15 Mar 82) .....	1
Daule-Peripa Hydroelectric Dam Project Underway (EL COMERCIO, 17 Mar 82) .....	4

## COUNTRY SECTION

## INTER-AMERICAN AFFAIRS

Argentine-Brazilian Relations Reviewed (Jorge A. Aja Espil; LA NACION, 19 Feb 82) .....	7
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## ARGENTINA

Ghioldi's Political Opening Proposal Viewed With Interest (LA NACION, various dates) .....	12
Statement Against Subversion Urged Prime Minister's Post Advocated	
Editorial on Labor Minister's Position Vis-a-Vis Alemann's (LA NACION, 6 Mar 82) .....	17
Initiatives Within Multiparty Reflect Political Imbalance (MERCADO, 4 Mar 82) .....	19
Saint Jean Comments on Political Opening, Statute (LA NACION, 9 Mar 82) .....	21
Lacoste-Alemann Clash Over Economic Policies Viewed (Tabare Areas; SOMOS, 5 Mar 82) .....	24

Record Wheat Harvest To Alleviate Foreign Debt (MERCADO, 25 Feb 82) .....	26
Official Refers to 1981-82 Grain Harvest Figures (LA NACION, 13 Mar 82) .....	34
Massive Fertilization Program Strongly Proposed (Roberto Fernandez Taboada; SOMOS, 26 Feb 82) .....	36
Grain Market Prospects, Sown Acreage Estimates Cited (Diego E. White Interview; LA NACION, 13 Mar 82) .....	40
High Prices Blamed for Crisis in Auto Industry (Jaime F. Cespedes; SOMOS, 5 Mar 82) .....	43
CHILE	
Tax Increase Seen as Harmful to Business (EL MERCURIO, 13 Mar 82) .....	47
Carabinero Inspector General, Four Others Retire (EL MERCURIO, 15 Mar 82) .....	49
Briefs	
Gasoline Prices Down	51
CUBA	
Activities of Science Academy Described (Iliana Garcia Giralдино; BOHEMIA, 19 Feb 82) .....	52
Distribution of 'ANAP' Magazine in Matanzas Explained (Chongo Leiva; ANAP, Dec 81) .....	56
Delays in Mail With Ethiopia Explained (BOHEMIA, 19 Feb 82) .....	58
Economic Term Monetary Control Explained (Alexis Codina; BOHEMIA, 19 Feb 82) .....	60
Briefs	
Animal Feed Enterprises Fined	61



## PETROLEUM SECTOR FACES OBSTACLES TO INCREASED PRODUCTION

Quito EL COMERCIO in Spanish 15 Mar 82 pp A-1, A-10

[Article by Eliodoro Aillon]

[Text] The prospects facing Ecuador's petroleum industry are growing more and more dismal, both because of the impossibility of adding any new production areas in the short-term period, and because of world market pressures. The possibilities of an eventual increase in Ecuadorean oil production have now been shifted as far ahead as 1987.

In the view of technical experts of the CEPE [Ecuadorean State Petroleum Corporation]-Texaco consortium, there are no immediate ways in which the nation's oil production could be increased. Not even if a higher volume of reserves were a certainty, a fact that remains to be proven from the studies that are to be conducted by the French firms hired by the government, could we immediately obtain more crude. If we decided to raise our production rates, based on increased reserves, according to this source, it would still take 18 months before we could raise the volume of production.

This increment could be achieved by providing an incentive for artificial extraction in 1983, but that too would take no less than 18 months.

Nonetheless, neither of the two possibilities can be implemented immediately, since the French company that is to do the studies to determine the nation's hydrocarbon reserves has not begun its work yet, and no definite starting date has been set. Officially, it has been announced only that the studies were awarded to that firm. Concerning a possible artificial extraction in order to increase production in 1983, that is simply not scheduled.

In such circumstances, any increment in production has to come from new investments and by means of artificial extraction. Nonetheless, even if such investments were made now and productive wells were found, it would take at least 5 years for these wells to begin producing. For this reason, it is imperative that changes be made in the Hydrocarbons Law. The longer this matter drags on, the more harmful it will be to Ecuador's national interests. If reserves, and consequently production, are not increased by 1988, Ecuador will then become a petroleum-importing nation.

Now Ecuador has petroleum coming from the 32 wells of the CEPE-Texaco consortium with a current production of 211,000 barrels per day, as well as CEPE's production from its own fields. This year CEPE will increase that production by 25,000 barrels per day, when the Secoya, Shuara, Shushuqui, and Charapa fields are in production, and another four fields will be added in 1983. Within these limits, CEPE is trying to accomplish its essential programs.

The situation grows even worse when we consider that the costs of extracting the crude are rising because the natural flow of the crude is coming to an end in Ecuador's oilfields.

In 1975 the production of crude by natural flow amounted to over 70 percent of the total production, while today almost 80 percent comes from artificial extraction methods. By 1984 all of the production by natural flow will have ended, and everything will have to be pumped. We will have to use artificial extraction methods, either injecting gas or using pumps.

In the meantime, it has been reported that the consortium will not be able to exceed the level of 212,000 barrels per day, and when that level peaks, it will begin to decline again until the secondary recovery operation begins during the first quarter of 1984 at Shushufindi, producing 12,000 barrels per day. According to plans, the maximum production that can be maintained will be 211,000 barrels per day.

An increase in the rate of production, under the present circumstances, would not be advisable. If the reserves are increased in the future, the rate of production could be raised, but the increment would be relatively low until new fields are brought into production.

Until then, the controversy about the volume of reserves is still a big issue. The Ministry of Natural Resources and Energy

sets this figure at 650 million barrels, but Texaco, a member of the consortium, disagrees with this official estimate, and maintains that, as of 31 December 1981, these reserves exceeded 1.3 billion barrels. In addition, Texaco claims that it considers the secondary reserves as additional reserves, amounting to 2 billion barrels.

Texaco spokesmen claim that the official figure of 650 million barrels of reserves is totally impossible to accept. They say that with reserves of only 650 million barrels, it would be impossible for the daily production rate to be 221,000 barrels. If the reserves were indeed 650 million barrels, the production rate should be only 130,000 barrels per day. The higher rate would in essence be a crime against the nation.

In conclusion, Ecuador is now facing a decline in its petroleum industry which can not be solved in the short term. Better prospects are possible in the medium and long-term periods. These prospects are to be found primarily in explorations in the pre-Cretaceous, in secondary recovery operations, and in the results of explorations being conducted in the Gulf of Guayaquil. In the long term, new oilfields may be found; the government is just now beginning to implement a strategy to conduct exploration for such fields.

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CSO: 3010/1114

## DAULE-PERIPA HYDROELECTRIC DAM PROJECT UNDERWAY

Quito EL COMERCIO in Spanish 17 Mar 82 pp A-1, A-7

[Text] Guayaquil, 16 Mar. On Wednesday, 17 March, President Osvaldo Hurtado will sign a contract in the amount of 4,746,828,825 sucres for the construction of the Daule-Peripa dam, one of the most ambitious projects for the use of our water resources for irrigation and for the supply of electricity.

It is believed that the project will help to resolve the old problem of the succession of droughts and floods along a large area of the coast. This problem has caused continual headaches for the government and the agricultural sector.

The contract-signing ceremony will take place at 1700 in the Salon of the Liberators in the Guayas Government Palace.

Various ministers of state, directors of the Agroman S.A. of Spain construction firm, members of the board of directors of CEDEGE [Study Commission for the Development of the Guayas Basin], and state officials are to be present.

The Daule-Peripa dam is part of the multipurpose "Jaime Puertas Aguirre" project. Among its major benefits are the following: to provide sufficient water to supply Guayaquil; to provide irrigation for 100,000 hectares of land (50,000 hectares in the Daule river valley and the other 50,000 in the Santa Elena peninsula; flood control in the Daule River valley; and the generation of 600 million kWh a year in a 125,000 kW plant.

The dam itself is a truly monumental construction project. The plans call for its height to be 78 meters, with which it will be able to store 5.4 billion cubic meters a year, exceeding by 60 times the capacity of the Poza Honda in Manabi. The spillway will have a capacity for a peak flow of 3,500 cubic meters per second; this is 1,000 times the water flow that Guayaquil



now consumes. It will also have two tunnels 11 meters in diameter and 550 meters in length. Each of these will be used to channel water for the above mentioned uses.

Furthermore, the dam will be the key element enabling man to bend to his will the regulation and control of the water channel, which flows from the rivers of the basin toward the sea.

It will be built on the Daule River upstream from the town of Pichincha. The site is downstream from the confluence of the Peripa with the Daule.

The site is a steep canyon, which can create a large-capacity reservoir. From an estimated capacity of 2.4 billion cubic meters in the prefeasibility studies, its storage capacity has increased to 6 billion cubic meters in the feasibility and final design stages. The water stored will form a 27,000-hectare lake.

Construction is expected to begin in May of this year and to last for 68 months. On this basis, it should be completed in 1987/88 if there are no delays in the various phases; such delays might be fundamentally of an economic nature.

The designs were completed in the middle of 1980, and were prepared by the consortium of consulting firms consisting of: TAMS of the United States, AGRAR of Germany, and INTEGRAL from Ecuador. The consortium was chosen by means of an international competition in which over 25 firms, both national and foreign, took part.

In July 1980 TAMS and INTEGRAL were hired to prepare the construction designs.

Funding for the project has been secured up to its first development phase. This includes the Daule-Peripa dam and the irrigation system for 18,000 hectares in the Daule River valley.

The Inter-American Development Bank, in April 1980, awarded three loans for a total amount of \$165 million.

Seven firms qualified to compete for the final contract. They were: Vianini Conevial Hidalgo, a consortium of Italian and Argentine firms from Ecuador; Agroman Enterprise of Spain; Energo Poryet Yugoslavia; Andrade Gutierrez of Brazil; Impreglio of Italy; Dragages et Travaux Publics of France, and Grabo Travaux of France.

A legal review of the bidding and contract awarding process was done in our country by the office of the attorney general, by the comptroller general's office, the Monetary Finance Board, and by the Inter-American Development Bank.

The contract to be signed is for the construction of facilities listed in bid DP/LI-01-80 for the construction of the Daule-Peripa dam and auxiliary facilities included as part of the multi-purpose project. It includes the following: the dam itself, intake and outlet pressure tunnels, the main spillway with its floodgates, venting channel and energy dissipation tank, dikes, dividing structures, emergency spillway, field offices, the contractor's temporary housing facilities, road maintenance in the area of the project related to the project construction and of the Santa Lucia road, the site of the project; the supply of materials and permanent equipment for the civil engineering, mechanical, and electrical work of the project. The estimated cost is approximately 4,746,828,825 sucres.

The official signers of the contract are: engineer Jorge Fierro Moncayo, executive director of CEDEGE, and Dr Gonzalo Noboa Elizalde, representing Agroman.

A number of representatives have come from Agroman in Spain; they include the engineer Jose Aguirre, vice president of the company; Dr Antonio Gonzalo, director; the engineer Jose Urbozos, director and engineer; and Angel Alvarez, the company's general manager in Ecuador.

A special program will be held at the Government Palace.

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CSO: 3010/'1114

## ARGENTINE-BRAZILIAN RELATIONS REVIEWED

Buenos Aires LA NACION in Spanish 19 Feb 82 p 7

[Article by Jorge A. Aja Espil: "The Reunion in Brasilia"]

[Text] A little over 1 year ago, an important seminar, organized by the Argentine Council for International Relations, took place in Buenos Aires, on the topic of relations between Argentina and Brazil during the decade of the 1980's. On that occasion, the vice president of that body, Dr Costa Mendez, analyzed the outlook for Brazil and Argentina against the contemporary international backdrop, and, in turn, the Brazilian minister of foreign relations, Ambassador Saraiva Guerreiro, in closing the meeting, spoke on various aspects of Brazil's foreign policy and of the importance given to Argentina by Itamarati in its formulation.

That academic meeting, in which the two eminent internationalists distinguished themselves, will be followed now by a diplomatic reunion in Brasilia, each of them vested with the office of foreign minister of their respective countries. Fate has thus decreed that on 2 and 3 March, the ministers of foreign relations of Brazil and Argentina may carry on the dialogue they began in Buenos Aires toward a fruitful conclusion.

## Brazilian Diplomacy Over the Past Decade

From the definition of the guidelines of the revolution in the international relations field set forth by President Castelo Branco in his address to the graduates of the Rio Branco Institute in July 1964, to the masterful speech given by Foreign Minister Saraiva Guerreiro at the War College last year-end, Brazil's foreign policy has been characterized by its traditional prudence and by its not always easy accommodation to the most immediate realities.

Attractive names have labeled the different veerings of that policy over that period: The Brazilian "concentric circles" policy was given fresh currency under President Castelo Branco, President Costa e Silva's "diplomacy of prosperity," President Medici's program of "solidary development," and lastly, President Geisel's "responsible pragmatism." Despite their differential overtones, these all preserved the basic elements of Brazilian diplomacy.

It was at this latter stage, during the Geisel administration, that Itamarati felt compelled to rectify the course of its foreign policy in the face of the new contemporary reality. The 1973 oil crisis must perforce influence the foreign policy of a country whose development was forged having to deal with serious energy problems, and as a result its indispensable need for ties with African countries compelled the Brazilian Government to reassess its ties to the colonialist policy of Lisbon. The traditional Portuguese antagonism where Black Africa and Islamic Africa were concerned was absorbed into the idea of a Luso-African-Brazilian community. Foreign Minister Azeredo da Silveira was the architect of that pragmatic policy which yielded Brazil palpable returns without its having either to throw in its lot with the nonaligned countries or to abjure Western values.

More recently, in the course of the 3 years President Figueiredo's government has been in office, Itamarati has added a heap of important successes, strengthening its economic relations with South America and the Caribbean. The diversification achieved by President Figueiredo's "South-South trade diplomacy"--as a result of persevering work and a diplomatic posture that gradually overcame regional resistances to what had for many years been considered "Brazilian imperialism"--enabled Brazil to set out toward a desired but almost always hypothetical integration.

In the first meeting mentioned above, Foreign Minister Saraiva Guerreiro emphasized that Brazilian foreign policy is not based on the presumption of mutually exclusive options or roads leading in just one direction..." Thus, Brazil recognizes by implication that it is not yet a part of the first world and that it must preserve ties that can be mutually beneficial. Its ties with African countries have grown enormously, especially with the Portuguese-speaking countries, Brazil having replaced Portugal in these from the standpoint of trade.

#### Points of Disagreement and of Concurrence in Argentine-Brazilian Relations

Relations between countries, as in day-to-day life, produce conflicts of interest that are a part of the international routine. But quite often the complexity of these conflicts, or their tie-in with abrasive aspects of sovereignty, gives rise to quarrels that may range in intensity from justified reproach to emotional virulence. Naturally, bilateral Argentine-Brazilian relations could not escape such ups and downs.

The spectacular development achieved by Brazil over the past few years, as well as the process of integration of the La Plata Basin, which goes beyond the traditional scheme, gave rise to atypical issues in the international domain and produced points of friction in its bilateral relations with our country. The fishing incidents that took place inside the Argentine 200-mile limit during 1973 are still recalled. Fresher still are the bitter negotiations of 1978 and 1979 aimed at reconciling differences on the big dams at Corpus and Itaipu, especially with respect to the height of the first and the number of turbines in the second, which were finally resolved at Puerto Stroessner with the acceptance of a status



and as to the turbines to be installed in the Brazilian hydroelectric complex. And lastly, there were the denunciations of "dumping" and threats of reprisals against subsidized exports of Brazilian products to the Argentine market, which were finally resolved by the zigzagging of currencies.

The Argentine-Brazilian rivalry in the controversial issue of the use of international waterways forms part of the Plate Basin integration process. It is precisely the object of that integration to achieve harmony within a geographic and political system that encompasses five countries and whose success rests on close cooperation between its two largest countries.

Competition in the field of international trade relations has also had both countries stretching their resources to their outer limits to gain markets in the South-South direction. In this respect, it is to be noted that Brazil's advance has been exceptional, and, as Foreign Minister Saraiva Guerreiro points out, Brazil's exports to Latin America have surpassed in value those to the United States, traditionally Brazil's best commercial customer. Even those export sectors in which Argentina once held sway, such as the export of beef to the European Economic Community, appear to have been absorbed by Brazil, with sales exceeding \$400 million in 1981.

Let us consider now the points of concurrence. The present Argentine foreign minister, in his speech on the occasion of the above-mentioned Argentine-Brazilian seminar, pointed out that the two countries have advanced well beyond the range of needs that would position them among the countries of the Third World, into the classification of "intermediate countries as regards political development and international political power, in the manner of countries such as Australia, Canada, New Zealand, Spain, Portugal and others. This dimensional view of Argentina and Brazil as they enter the decade of the 1980's points to a new outlook for strengthening Latin America's position within the international community.

The two countries concur in valuing peace as a prerequisite for prosperity. Osvaldo Aranha's characterization of Brazil as "A peaceful, peace-loving and peace-making nation" applies equally to Argentina. This constant in Argentine-Brazilian foreign policy is the best argument and the major guarantee justifying the resistance of both countries to joining the Treaty of Nonproliferation, a dangerous trap that could close the doors on autochthonous development of their nuclear technologies, condemning the two countries to a new form of dependency.

Another important point in common is the fraternal solidarity that unites them to other countries in our hemisphere. The principle of nonintervention does not signify indifference to the deep convulsion that is buffeting Central America, a victim of the implacable domino strategy. This is not an academic issue on the agenda of both foreign ministers, but rather an extremely vital one, in that, the growing violence in El Salvador is generating an expanding radiation pattern throughout the region, which requires an urgent response from the Inter-American System, one as prudent as it should be bold, for reasons of a humanitarian, political and strategic order.

## Defining the Atlantic Boundary

The time-worn view of Argentine-Brazilian relations pictures both nations as afflicted with an acute and permanent sensitivity toward the issue of naval armaments, born of an undeclared struggle for hegemony over the South Atlantic. What historically may have had its explanation is today as seemingly irrational as characterizing the South Atlantic as either a Brazilian lake or an Argentine lake.

The western littoral of the South Atlantic, strictly speaking, extends from the continent's outermost salient, at Natal, to Cape Horn, encompassing a length of more than 9,000 kilometers of coasts belonging to Brazil, Uruguay and Argentina. The ample 200-mile zone that girdles this segment of the Southern Hemisphere and over which the coastal states exercise jurisdiction represents an area of approximately 2 million square kilometers, whose stated dimension alone is sufficient to give some idea of the magnitude and difficulties involved in its surveillance and control.

A close look at a world map shows also that this area has its continental out-thrusts, its outer spurs, such as the Fernando de Noronha islands at the northern end and Falkland Islands to the south, which by generating further 200-mile zones become transformed into legitimate watchtowers with respect to any international event having a trajectory through Atlantic waters or skies.

## The Two-Ocean Principle

The strategic and economic relevance the western area of the South Atlantic has acquired, regionally as well as globally, calls for its institutionalization in the manner of the step taken 10 years ago by the governments of Chile, Ecuador and Peru, when they created the Permanent Commission for the South Pacific. A similar body made up of the three littoral countries on South America's east coast would not only have significant relevance from the standpoint of the two-ocean principle but would also enable South America to coordinate its policies with respect to its oceanic areas and to align its criteria with respect to the new norms of the future Law of the Seas Convention.

The Brazilian Foreign Ministry has been reluctant to support a South Atlantic defensive pact, because it deems that such a pact might have an adverse effect on President Geisel's doctrine with respect to relations with sister countries "this side and that side of the ocean," that is, the so-called doctrine of the continuity of the American and African nations.

There are those who go even further and, from a viewpoint that is more oneiric than realistic, choose to disregard the Atlantic and border upon the African continent, christening that imaginary boundary as Brazil's eastern border. However, the question arises: Has this "imaginary border" that would bring the friendly African nations closer to Brazil not perhaps suddenly become a "vulnerable border"? Has an anti-Western military power not perhaps now set foot inside it?

As Atlantic nations, Brazil and Argentina must seek to impart a new dimension, or, so to speak, a new meaning, to the defensive scheme of our common maritime border, and a new solidarity to dealing with the problems posed by the great ocean.

In short, pacts or no pacts, the South Atlantic is a permanent item on the diplomatic agenda between Argentina and Brazil and the second phase of the Spanish-Portuguese maritime tradition, which sought to protect the ocean routes to the "New World" against the harassment of piracy and the policy of seizures.

The South Atlantic, which is still America, has given rise to solidary Hispano-Luso-American praxes--moral, cultural, political praxes capable of deterring other more threatening forms of piracy that are today pursuing the subjugation of national sovereignties under unfurled hegemonic banners.

These and other specific issues are certain to be part of the agenda for the Brasilia reunion, and addressing them will serve not only to strengthen old ties between the two foreign ministers but also to enable Itamarati to refine the tentative agenda that has been drawn up for the first meeting between President Reagan and Figueiredo, which is to be held at the White House in May.

9399

CSO: 3010/903

## GHIOLDI'S POLITICAL OPENING PROPOSAL VIEWED WITH INTEREST

## Statement Against Subversion Urged

Buenos Aires LA NACION in Spanish 7 Mar 82 p 12

[Text] A pronouncement by political parties against subversion and guerrilla war is one of the specific points for an Argentine reconciliation proposed by Professor Americo Ghioldi and published in LA VANGUARDIA, the official mouthpiece of the Democratic Socialist Party.

It was learned that Ghioldi's proposal prompted comments in military circles and that clippings from the publication circulated among ranking military officers engaged in analyzing political issues.

The leader feels that the draft party bylaws should simply set forth the essential regulations that will govern party activities "and should not contain any proscriptive clauses."

He cited the example of Germany, whose constitution stipulates that parties which because of their goals or the attitude of their members would tend to adulterate or destroy the basic system of freedom and democracy are unconstitutional," adding that "only the Supreme Court can decide on matters of unconstitutionality."

## Civilian-Military Dialogue

Professor Ghioldi feels that a civilian-military dialogue ought to lead to an agreement that the candidate for president be backed by all parties, and under this agreement he would serve as an arbitrator and peacemaker in any political conflicts subsequent to his election.

## Gradual Elections

He also proposes holding in the near term and in this order, a presidential election, provincial and national elections for deputies and senators and lastly municipal elections, "which, therefore, would be independent of political balloting."

This aspect of Ghioldi's proposal differs substantially from the view that is thought to prevail in the Armed Forces concerning the path that the country



ought to take in its move towards democracy. The Armed Forces reportedly feel that the gradual return to institutionalization should begin with municipal elections, followed by legislative balloting and finally a presidential race.

#### The Economy

Professor Ghioldi feels that agreement should be reached on "the general guidelines for and priorities in resolving our economic problems during the 6 year term of the presidential government."

He favors the creation of legal mechanisms that would not require a reform of the constitution, "so that in the event of an emergency a potential government crisis could be resolved through prompt legal mechanisms without the intervention of the Armed Forces."

#### Confidence and Optimism

In another of his points he says that "this specific issue at hand must be addressed with up-to-date thinking, not with obsolete prescriptions or bad habits that result from a refusal to tackle new problems."

Professor Ghioldi adds in his proposal that "the government must immediately give people a sense of confidence and optimism and a feeling that the economic situation in general and the social situation of the workers above all will improve very soon, because it cannot keep on saying that we must endure further hardships and ongoing impoverishment with fatalistic resignation."

He contends that we have to define the problem involved in the power to rally the people, and in this regard his interpretation is that this is a "power that belongs to the government and that cannot be delegated, regardless of who might be in charge of the government." He notes in conclusion that "the country needs to begin a new historic cycle," adding that "the dead should bury the dead, and old ideas and today's preconceptions should be buried by ideas that have been intelligently updated."

#### Prime Minister's Post Advocated

Buenos Aires LA NACION in Spanish 13 Mar 82 p 9

[Text] In his plan to prevent military coups and to insure government reform along institutional channels, Professor Americo Ghioldi has suggested amending the ministries law and instituting the post of prime minister, along with a "compromise" president and a Council of State. He also warns about the consequences that would result from failure to hold a strong, truthful dialogue between the parties and the Armed Forces."

The second and last part of Ghioldi's proposal ("Specific Points for an Argentine Reconciliation") has now appeared in LA VANGUARDIA, the official mouthpiece of the Democratic Socialist Party. This section has had as much

impact in military circles as the first part, which LA NACION published on the seventh of this month. In it the Socialist leader proposed, for example, that political parties issue a pronouncement against subversion and guerrilla war.

#### Sequence of Elections

He suggests the following sequence of elections: first, presidential, then provincial and parliamentary, in that order, and finally, municipal. Argentina's crisis since 1930 has not been a crisis of the municipal system, he feels. Rather, all of the upheavals since then have revealed that it is a crisis involving the national government. Thus, he goes on to say, crisis broke out in 1930 in the wake of action by the president and his political regime. There were successive crises after that until the one in 1973, when just 45 days after the Campora-Solano Lima ticket was victorious, the country had not exactly a coup d'etat but "a coup by the chief of Peronist power."

He points out that Peron "got rid of the president who had won 50 percent of the votes." In 1976, he says, the military coup toppled the ruling national government.

He states later on that "no military coup was ever undertaken step by step and exhaustively, as the institutional reconstruction is intended to be."

#### Normalcy

If the nation begins by reestablishing the municipalities, while deferring the reorganization of the Legislative and Executive branches, he feels, the municipal governments will most likely give priority attention to problems involving all sorts of political demands, including the immediate reestablishment of provincial and national institutions, in other words, the immediate constitutional normalization of the country.

It will necessarily take too long to begin with the municipalities and then eventually get to the designation of a president, he judges, and this would therefore mean that the de facto regime would have its permanence confirmed.

The sequence that Ghioldi advocates would, in contrast, focus on restoring normalcy right away, he claims.

#### A "Compromise" President

Ghioldi then discussed "the legal reform to guarantee the main goal of the political solution."

"If we Argentines, by a conscious act of reasoning and an intelligent interpretation of reality, manage to set in motion the 6-year government envisaged in the constitution and which, in spite of all the misfortunes, was the rule from 1860 to 1930, there will be a solution: We will have gained an institutional order."

This plan, which he has talked about on other occasions, is designed to prevent military coups and to guarantee government reform along institutional channels "according to the will and conscience of the people." As Professor Ghioldi explains, "I conceive of it as a reform that we would achieve by simply amending the ministries law and with a historic commitment to enforce it faithfully."

The post of prime minister would be instituted, he points out, and it would serve as a safety valve in the event of political emergencies, which are always possible.

Under the historic commitment, his proposal continues, the president would designate as prime minister a leading figure in the political party that has won the most votes in the congressional elections.

The government will begin to function normally under the prime minister. If all goes well institutionally, we will have achieved our stated goal. If, unfortunately, a serious emergency should arise, the president can declare the functions of the prime minister and, therefore, of the cabinet, terminated. But to do so, he must obtain the consent of the Council of State, which also remains to be set up.

#### Council of State

The president can exercise the power to declare the functions of the prime minister terminated only once in 6 years, except in the event that extremely serious national emergencies should arise, in which case he can exercise this power a second time. In this case, however, he must secure in advance the authorization of the Council of State by a vote of its members, not just by their consent.

#### "Semipresidential" System

This legal system without a constitutional reform that "would enable the government to deal with political emergencies along legally established channels and without the intervention of the Armed Forces in any instance," could perhaps be termed a "semipresidential system, according to Maurice Duverger's terminology," Ghioldi states.

He goes on to say that "the president agreed upon in the great historic commitment but voted in directly by the people at separate elections, would have all the powers that the constitution stipulates, in addition to which, as noted above, he could appoint and replace the prime minister and act as a friendly arbiter or referee in any political differences that might arise."

The prime minister, he says, is in charge of the entire administration of the Executive Branch and is to maintain ongoing good relations with the nation's president. He will also appoint his ministers and communicate to the president the names of the persons who will sit in his cabinet, "to which the president cannot make objections, except for quite obvious or well documented reasons involving ethics."

Within 15 days he will also draft a 6-year government program that will contain only general, but clear, coherent and measurable pronouncements." He will present his ministers to the Congress and explain his government program, which will presumably be approved, for the reason given in the previous paragraph. Once the program is passed by Congress in the form of a law, the president will then appoint his cabinet's prime minister.

8743

CSO: 3010/1142



## EDITORIAL ON LABOR MINISTER'S POSITION VIS-A-VIS ALEMANN'S

Buenos Aires LA NACION in Spanish 6 Mar 82 p 6

[Text] Ministers Alemann and Porcile have repeatedly stated that there are no basic disagreements between them. Nevertheless, these statements do not entirely wipe out the general impression, based on various facts and circumstances, that there is disagreement, at least in terms of interpretation, regarding the achievements of certain mechanisms through which current economic policy is being implemented. Further indications of that have been accumulating in recent days in connection with the problem involving the personnel of the public administration and the government enterprises in view of possibilities of their conversion to private control. It is easy to see that, on the one hand, specifically economic factors are involved here while others seem to point to a certain degree of political involvement, the latter being understood in the sense of the obvious reaction of the worker nucleus at those enterprises and in others elsewhere, although with a specifically defined ideological line or, at least, a known and traditional position on the topic.

There is no denying that the minister of economy and the minister of labor have plenty of arguments to support their concepts. Dr Alemann maintains that greater flexibility in the measures instituted would undoubtedly effect the fight against inflation at moments when the indexes of inflation reveal that inflation is going down.

Brigadier Porcile--who from the beginning of his tenure proved to be a skillful conversation partner for labor union leaders and who repeatedly gave evidence of his sensitivity in receiving and studying complaints from labor--during a recent cabinet meeting stressed the need for adopting decisions capable of at least attenuating the significance of social-economic problems. As far as we know, his proposals have not gotten anywhere but it would be a mistake to infer from this that they have not been heard. A clear symptom of this is the fact that the men of the Air Force are studying an extensive agenda of subject matter among which the point that worries Brigadier Porcile is gaining priority.

On top of that we have the fact that the CNT-20 [National Labor Commission] labor union group, which was characterized by its open approach, hardened its attitude to the detriment of the dialogue by virtue of the lack of response to its aspirations. It might said that, on the contrary, due to the influence exerted by Lorenzo Miguel, the hard-liners in the CGT [General Labor Confederation] are

withdrawing while the "moderates" are getting stronger; but nobody could venture to guess what the gain from that change might be for the minister of labor since that change presupposes more a modification in political strategy rather than in labor union strategy.

With things stated in this fashion and on top of the fact that the burning issues of unemployment and underemployment force both of these ministers to pursue their studies further and to provide solutions, what seems to be necessary now is the discovery of a formula for conciliation. One cannot rule out the possibility that representatives of both ministries might work together in search of that solution. It is certain that this is not the only viable alternative since it is the administration as a whole--with a greater or lesser degree of participation--which must find adequate ways of responding to the requirements of the situation and simultaneously present a picture of cohesion. That would remove the need for having the president of the republic work like an arbiter to rule on what--say what you will--presents the features of a controversy.

5058

CSO: 3010/1133

## INITIATIVES WITHIN MULTIPARTY REFLECT POLITICAL IMBALANCE

Buenos Aires MERCADO in Spanish 4 Mar 82 pp 3-4

[Text] Politics--Intense deliberations were ultimately unsuccessful in altering the nature of the Multiparty, but the fact that they were held at all forces us to ask ourselves, in the opinion of observers, about the significance of this association of Radicals, Peronists, MID [Integration and Development Movement] people, Christian Democrats and Intransigents within the framework of the Argentine political system. The attempts to change the Multiparty were aimed in three directions. On the one hand, there was a bid to turn it into a "Multisector" by bringing in unions and employer groups on an equal footing, which would have given Peronism, through the CGT [General Labor Confederation], clear-cut predominance. There was also a move to give the so-called "standing political board" of the Multiparty, which consists of 15 persons (3 from each of the member parties) its own decision-making capacity. This would have brought the labor movement into the party organization in a different way, inasmuch as the three Peronist delegates include a union representative. This attempt was also rejected, however, at a meeting at which the party presidents took part: Drs Frondizi, Contin, Alende, Cerro and Bittel the notary. It was decided at the meeting that the standing political board is subordinate to and merely executes the directives of "the board of presidents" of the parties. Union penetration of the Multiparty through the "standing political board" was thus blocked. The third move that was futilely looked into was the expansion of the Multiparty by bringing in one or more of the parties in the so-called "Tripartite" (Democratic Socialists, Progressive Democrats and the Democratic Christian Union), which although they are in the middle of the political spectrum, do not profess to be total government supporters as FUFEPPO [Popular Federalist Forces] does. The sponsor of this unsuccessful move was Doctor Troccoli. After all of these unsuccessful bids, the Multiparty remains unchanged in a way, but the attempts did bring out certain salient points. One is the potential dual imbalance in the group, first of all between Peronism and the rest of the parties, and then, within Peronism, between the labor leaders and the politicians. If either of the first two initiatives had been accepted (the move from a Multiparty to a Multisector or raising the status of the "standing political board"), it would have highlighted this imbalance. As things now stand, it is obvious that the Peronist labor movement is stronger than the Peronist politicians and that Peronism, as such, is stronger than its colleagues in the Multiparty. The fact is that Peronist politicians,

led by Bittel, have managed to offset union pressures only with the help of the rest of the non-Peronist parties in the Multiparty. This was Balbin's original strategy: strengthen the political sector of Peronism by offering it, not the unions, the friendship of the Radicals. We do not know, however, for how much longer the Radicals and, to a lesser extent, the MID people and the other smaller partners in the Multiparty will be able to shore up the "internal" weakness of their associates, the Peronist politicians, with a presence that is in a way "external." The abortive moves by Dr Troccoli, whom many see as Balbin's likely heir, are, moreover, interpreted as an effort to regain some sort of role "outside" the Peronist clasp for Radicalism, by bringing certain centrist parties into the Multiparty. Otherwise, to the extent that the current association continues to heighten the Peronist influence, Radicalism will run the risk that has already befallen other partners of Peronism, such as Frondizi and Solano Lima: being absorbed into the populist masses that ultimately find their sole authentic expression through Peronism, and losing their own identity as a middle class, centrist alternative. If the Multiparty continues to consolidate itself as an alliance, as a homogeneous ideological front, the force that predominates in it, Peronism, will unquestionably in the end imbue the others with such sharp colors that it will be hard for them to function as real election alternatives to Peronist candidates or government leaders. This happened once before in 1976, when no one saw Radicalism as a real alternative to Peronism because the two were lumped together in the Hour of the People. Troccoli realizes that by stressing a political proximity to Peronism, Radicalism is leaving the center open to potential competitors. From that point on the real alternative to Peronism would be to the right of the Radicals, whether an incipient center party (if one is ever founded and organized) or future military intervention once again. Hence, Radicalism has tried to "appeal" to centrist forces to join the Multiparty. It is hard to tell, however, whether this so-called "appeal" was just a tactical, circumstantial move or, in contrast, the start of a revolutionary change: a move by Radicalism itself towards the center in a bid to distinguish itself from Peronism so that it would not be absorbed by it. The fact is that while the populist side of the political picture is dominated by the presence of Peronism, there is a vacuum in the center that could be occupied, as we have said, by a new middle-of-the-road movement or future military movements...or, at the eleventh hour, by a revolutionary Radical turnaround.

8743

CSO: 3010/1142

## SAINT JEAN COMMENTS ON POLITICAL OPENING, STATUTE

Buenos Aires LA NACION in Spanish 9 Mar 82 p 8

[Text] Mendoza, Argentina, 8 March (EFE)--Gen Alfredo Oscar Saint Jean stated yesterday in the city of Mendoza, 1100 kilometers west of Buenos Aires, that the Argentine Government is convinced ("We are aware," he said) that subversive groups could have infiltrated certain human rights organizations.

The interior minister in Gen Leopoldo Galtieri's government agreed for the first time to answer questions on any and all topics from five foreign press representatives in Argentina.

The general asked the newsmen from EFE, LE MONDE, THE GUARDIAN and DPA only to avoid using textual quotes as much as possible.

## Four Political Forces

"It could turn out to be incomplete for a general context," he said, "and therefore I would prefer that you be the ones to decide on your own what the most interesting parts of our conversation are."

Saint Jean replied initially to questions concerning political developments in his country.

He asserted that the sole limitation on parties will be the number of their members, not their ideology. Specifically, he stated that the Process wanted to limit the election map to four major national political forces.

In theory, the Communist Party could thus run in any upcoming elections, even though any force with a Marxist ideology was initially ruled out in 1976.

## A Basic Agreement

General Saint Jean told two reporters from the morning paper LOS ANDES yesterday that "we must achieve a basic agreement among all Argentines in order to hammer out a democratic solution that has solid backing. He was referring to the possibility of extending to other provinces what was done in Mendoza, with an eye towards facilitating the creation of a civilian-military movement.

"We do not think," he added, "that such a solution can be achieved through a single party, if the party were to be formed spontaneously based on the conditions that have arisen in certain regions of the country. Rather, the country's definitive institutionalization will come from the concerted action of all sectors and parties operating in Argentina."

#### "Just Another Party"

He also said that "if current circumstances are an incentive for the creation of this party, it will be just another party that will have to compete with the others in contributing the solutions that the nation requires."

He then acknowledged that the country is in a very difficult economic situation, but he asserted categorically that he does not feel that this economic juncture is a serious obstacle to the establishment of a political system in keeping with the objectives of the national process.

#### Economics and Politics

"What we envision for all Argentines in the future," he noted, "goes far beyond a temporarily difficult situation. We feel and we have said so many times in government that the political program will prevail over economic matters. Economics must always be regulated by politics," he concluded.

He also said that the government has faith in the ability of Argentines to overcome their economic problems and that once these problems have been overcome, the people would be in a better position to more openly engage in political activity.

#### Politics and Trade Unions

With regard to the political measures that the government would adopt in the trade union sphere, General Saint Jean said that although the issue did not fall within the scope of his functions, he did not want to sidestep it. He pointed out that it bears emphasizing that at present more than 100 trade unions have been normalized, because they are institutionally organized and can, at any moment, begin fully engaging in the activities that concern them.

#### Political Parties Statute

With regard to the guidelines for drafting the political parties statute, General Saint Jean stated that they are designed to set up a limited number of organizations so that the people do not have too many alternatives to choose from, inasmuch as traditionally there have not been that many representative political parties in our country.

Concerning this same topic he stated that the formation of agreements between parties would be discouraged and that the statute would serve as a guideline and not be an excessively rigid code, "except," the interior minister clarified, "for those who took part in the subversive struggle."



## The Missing

In the last part of the interview that LOS ANDES published today, Saint Jean said that "the government intends to provide a definitive solution to the problem of missing persons to the extent that it can."

He went on to say that "all wars result in a great many missing persons, and the one that was waged in our country is no exception."

He then asserted that the government always follows up on the complaints that it receives from family members or national or international organizations that concern themselves with these matters. He also clarified that these organizations often present complaints accompanied by figures that do not, in fact, square with the complaints filed in the country by those with a direct interest in the matter.

He then stated that the government might decide to make public at some point the cases that it has succeeded in clarifying. He added that this is not an easy task, because "many of the missing have changed their identities and are currently involved in subversive activities in other countries." He also pointed out that many merely criminal cases have been manipulated politically to create the impression that government agencies are not acting as promptly as they should when missing persons are involved. He noted that in the case of Ana Maria Martinez's disappearance the government immediately went about conducting the appropriate investigations.

8743

CSO: 3010/1142

## LACOSTE-ALEMANN CLASH OVER ECONOMIC POLICIES VIEWED

Buenos Aires SOMOS in Spanish 5 Mar 82 p 14

[Article by Tabare Areas: "Aleman vs. Lacoste?"]

[Text] As the days go by, rumors about a sharp confrontation between Ministers Carlos Lacoste and Roberto Aleman during a full cabinet meeting became somewhat diluted but a by no means naive question continued to float around in political circles: Is the cabinet of President Galtieri beginning to become divided? Those who seek answers to this question maintain that this is not improbable because the social-economic situation is beginning to call for effective measures from the ministers in each area--especially social action and labor--which are difficult to reconcile with the rigidity which the [Ministry of] Economy requires to handle any type of situation statement.

On Friday, 25 February [as published], CLARIN continued coverage of the Wednesday meeting in publishing a report on a bitter debate that supposedly took place between Aleman and Lacoste as to whether or not it is advisable to increase pensions for retirees. Just 2 days later, when repercussions in the newspapers seemed to be dying down, LA NACION came out with another story on the front page, maintaining that Lacoste commented in rather harsh tones on the recitals of Mercedes Sosa. "I did not argue with Dr Aleman," Lacoste himself told SOMOS, "and what Mrs Mercedes Sosa does is not my problem. Whether she does something or does not do something is her problem and this is also a problem for the laws of the nation which are in force."

In the intimacy of the ministry, it was said that Lacoste, on Friday morning, holding the newspaper in hands, rather in surprise called the press office to ask what had happened. "I did not have a debate with Aleman, nor with any other minister, and I want to know what happened." One of the aides then supposedly called CLARIN to try to find out--it was said--where the rumor might have been started. In the meantime, there were more and more comments out in the streets on another one of the interpretations given by the newspaper: the Aleman-Lacoste clash supposedly was a continuation of the difference of ideas that had already caused a bitter debate between former ministers Jose Alfredo Martinez de Hoz and Julio Juan Bardi on pensions for retirees. "When I disagree with any other minister," Lacoste added, "I invite him to have a cup of coffee with me or to have lunch with me and then (in a civilized style) we iron out our differences. In the Navy, I was taught that I have the right to agree or disagree but that I also have the duty to make differing positions compatible."

It is recalled that, when Bardi headed the Ministry of Social Welfare, before he became unglued, he had raised the minimum living allowance of retirees above the figures set by the Ministry of Economy for employed workers. Martinez de Hoz was reluctant to accept that position because he believed that an irritating situation might be created. But since the Ministry of Social Welfare did a good job in handling its own assets, he was able to regulate the wages. Now the commentaries that can be heard do not deny the existence of frequent verbal clashes between the two former ministers although it is admitted that they are not sufficiently big to cause a crack in the cabinet.

On the Ministry of Economy front on the other hand all officials insist on saying that nothing happened here although they do not deny the possibility that differences might exist between Alemann and Lacoste in terms of their viewpoints.

That critical point involves the increase in retiree pay and other social assistance plans which show up in Lacoste's files. A very reliable source in the Ministry of Economy told this reporter: "The wage topic was not the predominant issue during that cabinet meeting. Many people are interested in making sure that the economic program will fail because they would lose their jobs if inflation were to be defeated." When the reporter wanted to find out whether increases had been ruled out, the same official added in a rather convinced tone of voice: "There will be no increases if we do not have any real funds available."

Lacoste's closest collaborators insist on saying that the minister has the full support of President Galtieri in handling the topic of retirees and that on more than one occasion he was heard to say that "the retirees have legitimate rights because their pensions are not a matter of charity." In the Ministry of Economy on the other hand it was noted that the anti-inflationary program has the full support of the political authorities. But something else is also clear: One must not create expectations which later on--if they do not materialize--may entail a political price which the administration is unable to pay.

5058

CSO: 3010/1133

## RECORD WHEAT HARVEST TO ALLEVIATE FOREIGN DEBT

Buenos Aires MERCADO in Spanish 25 Feb 82 pp 20-24

[Text] In the opinion of the minister of the economy, Argentina urgently needs to increase its exports. During 1981, with \$9.1 billion in exports, and \$9.2 billion in imports, there was a negative balance of \$100 million; during the current year, this situation is expected to change radically. Government estimates speak in terms of figures above \$10 billion for sales abroad and approximately \$8 billion for purchases, leaving a positive foreign trade balance of about \$2 billion.

If the estimates for the major part of the harvest become a reality, grain production could reach 36 million tons, a new record; of this total, exports would be around 21 million tons. Based on present international prices--which are a little lower than last year's prices--the earnings from agricultural production would amount to \$5 billion. We must remember that the Soviet Union is again unable to supply its own domestic market (primarily in grain used for fodder) and will turn to the international market with a demand of approximately 40 million tons. If the United States decides to impose another embargo, and if Argentina does not support this embargo, it is possible that that figure may be obtained without any difficulty. We should remember that during the 1979-80 season, the Soviet Union paid a bonus of \$40 per ton of wheat, which made many local producers forget the problems with the exchange gap.

In any event, our government leaders are using optimistic data about the foreign currency we could earn from our agricultural exports, which make up half of the total export estimates. According to the chart prepared by MERCADO, based on private information (using the FOB price of grain in the port of Buenos Aires), agricultural exports (including agroindustrial items) only come to \$3.7 billion. In fact, the first government

estimates stated that, to the \$5 billion for traditional exports, we would have to add another \$3 billion for agroindustrial sales, making the total exports \$8 billion.

Nonetheless, the large share allocated by the government officials to agroindustrial exports is based particularly on the favorable treatment provided for this year. Agroindustrial exports enjoy some comparative advantages because exporters buy their raw materials at the exchange rate, minus the 10 percent export tariff, and sell them with a refund of up to 10 percent, plus the estimated effect of tax deductions on earnings on refunds, which amounts to 33 percent. In summary, the total tax advantage can be as high as 23 percent. Finally, we also have to consider the exchange unification arranged at the end of last year, which meant an implicit devaluation of 36 percent. "With this package," said Dr Alemann, "the nation is handling its industrial exports by favoring the processing of its raw materials."

A few days ago, the speaker at the INTA [National Institute of Agricultural and Livestock Technology], the engineer Enrique Gobbee, again gave an estimate of our agricultural exports. He felt they may reach \$6.6 billion, of which \$3.5 billion would be for grains, oleaginous plants, and byproducts. These figures, which are clearly less than the government estimates cited earlier, mean that some other sectors of the economy will have to expand their exports if we are to reach a total of about \$10 billion in foreign sales. The need for a favorable balance with our exports is an inescapable objective if we want to handle our foreign debt successfully. This debt, in the public sector alone, amounts to \$20 billion, with nearly \$7.2 billion due this year, and with interest payments of \$2.5 billion.

According to Carlos Marin, an expert on agricultural issues with Merrill Lynch, Pierce, Fenner & Smith, in order to get a correct idea of how exports will move during 1982, we must analyze the increment in domestic consumption. "This is a key variable," he said, "that can be observed clearly at the end of August and during September." For example, if, during the current year, the local consumption of pork and poultry declines, foreign sales of fodder will probably increase; but if, on the other hand, the economy recovers and consumption increases, the reverse phenomenon will occur.

As for the tax treatment which the government intends to stimulate agroindustrial exports, Marin agrees with the official position, even though he admits that in this area, results are

never certain. At this time, to cite one case, the United States has sold 400,000 tons of sunflower seed to Mexico; this is an exceptional sale for that market, and at this time of year. Therefore, it seems probable that the European oil mills may decide to buy beans and seeds from other markets at a higher price than the price they usually pay the United States. In this situation, it may be more profitable for the Argentine growers to sell to the Europeans--despite the fact that grain exports carry an export duty of 10 percent--rather than to send their produce to local mills even though, as we said, agroindustrial exports receive a 10 percent refund. This means that, despite the government's attempts to stimulate sales of processed raw materials, it may happen that for particular grains, because of international market factors, the producers may opt for traditional exports. A case similar to the sunflower situation may happen with soybeans and other grains, since Brazil will apparently have to turn to the international market to obtain its soybean supplies of approximately 4 million tons.

If the rainfall pattern continues as it has been in recent days, with clear skies with sunshine and moist heat, the corn harvest could amount to 11 million tons. Based on a wheat production of 8 million tons; sorghum production close to 7.5 million tons; a soy crop of 4.5 million tons; and with the rest amounting to a total close to 5 million, grain production would be between 34 and 36 million tons. Of this total, approximately 85 percent would consist of grain and 15 percent of oleaginous plants. During the 5-year period extending from 1976/77 through the 1980/81 seasons, the average production was 30.3 million tons, while in the preceding 5-year period--from the 1971/72 through the 1975/76 seasons--it only came to 23.4 million tons. The absolute difference between the two periods was 6.9 million tons, with a relative difference in percentage points of about 30 percent. If we consider that for the current season the total is repeating the patterns of the preceding season, which was 35.5 million tons, it seems probable that we are now entering a 5-year period which may again register spectacular growth over the immediately preceding period.

If this trend continues, the possibility of obtaining a production worth approximately \$50 million at the end of this decade is not absurd. In order to do this, we will have to expand the area planted by 20 to 25 percent, with an average yield per hectare superior to 2,000 kilos. Obviously, we will have to renovate and modernize our agricultural machinery and expand the use of technology and fertilizers. It is worth



noting that at present, less than 5 percent of the area uses fertilizers and has been improved by a system of crop rotation.

#### Agricultural Export Prospects

	Price* per ton	Volume** (tons)	Estimated*** Earnings
Wheat	178	3,500,000	628,000,000
Corn	118	7,000,000	826,000,000
Sorghum	100	5,000,000	500,000,000
Sunflower (oil)	540	700,000	388,000,000
Linseed oil	520	180,000	93,600,000
Soybean oil	420	200,000	84,000,000
Sunflower meal	160	700,000	112,000,000
Peanut oil	650	50,000	32,500,000
Wheat kernels	115	300,000	34,500,000
Cottonseed oil	630	11,000	6,900,000
Peanuts (for consumption)	600	40,000	24,000,000
Peanut flour	200	40,000	8,000,000
Linseed meal	200	300,000	60,000,000
Cotton (fiber)	116	64,000	7,400,000
Soy	240	2,600,000	624,000,000
Oats	120	100,000	16,800,000
White wheat	180	90,000	16,200,000
Rye	160	30,000	4,800,000
Millet	150	100,000	22,500,000
Sesame seed	800	12,000	9,600,000
Barley	150	10,000	1,500,000
Sugar	300	550,000	165,000,000
Beans (black, red, and white)	566	137,000	73,500,000
Total		21,714,000	3,738,800,000

\* Figures given in dollars

\*\* Part of production intended for export

\*\*\* Average price

Source: MERCADO staff, based on private data.

Until the present, the increment in production has come from a higher yield per hectare in the area cultivated. In reality, during the past 10 years there have been no major changes in the total area cultivated. The average has been about 20 million hectares, peaking in 1969/70 and 1976/77 with 21.7 million

hectares. During the present season, the area cultivated was only slightly less than the record level, with 21.6 million hectares under cultivation. All these figures indicate that the normal patterns still prevail, in terms of the area planted.

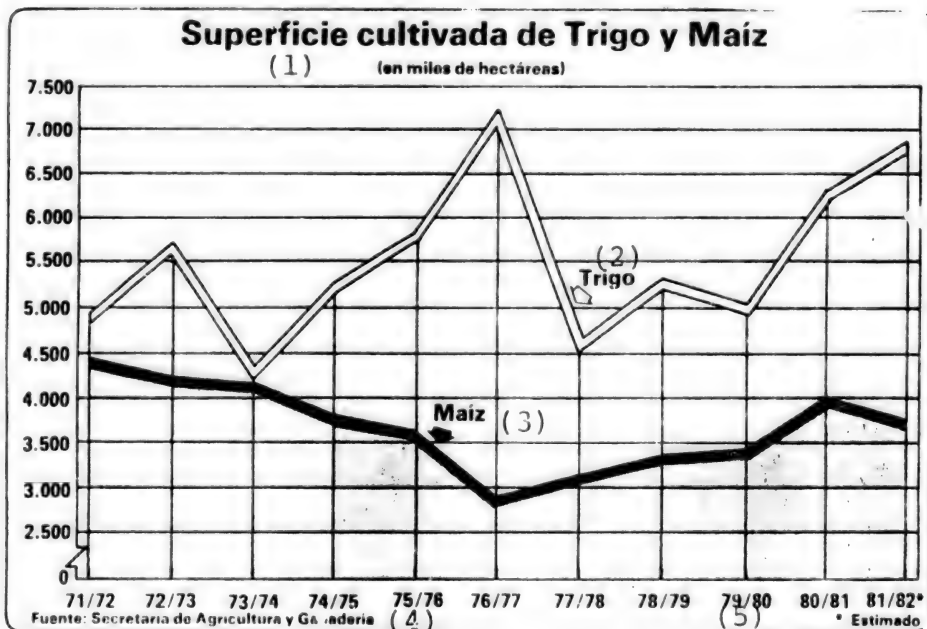
The great increase in production has come from the use of improved seeds, technological investments, and greater experience on the part of farmers. In this area, the work undertaken by the INTA, which in recent years has conducted intensive training sessions with farmers, is worthy of mention. As for seeds, the appearance of corn and sorghum hybrids and dwarf wheat during the 1960s has greatly changed the yield per hectare. In addition, international demand for soybeans has produced an increase in production in recent years, rising from 500,000 tons to 4.5 million tons expected in the present season. The highest yields have been obtained in the production of corn and sorghum. The expected yields are approximately 40 percent higher than in the 1979/80 season and 24 percent better than the average for the decade for wheat, and 29 percent better for corn.

In reality, the major increase in production has come from improved grain yields. Of course, in addition to the investments made in technology and seeds, we have had exceptional climatic conditions in the last two seasons. In the opinion of experts from the department of agriculture and livestock and the National Grain Board, the grain harvest for the current season could be about 26.5 million tons. This figure is 62 percent higher than production during the 1979/80 season, and approximately 30 percent higher than the average over the past 5-year period.

With this level of production, our grain exports could be about 21 or 22 million tons, approximately 60 percent of our production. Based on that figure, Argentina's share in the international grain trade would be about 10 percent, using an estimate of 220 million tons for world trade. Based on a wheat price of \$178 per ton, a corn price of \$118 per ton; sorghum, \$100; and soy, \$240, we could estimate earnings from these four grains at about \$2.5 million. Of course, these four items make up 85 percent of our agricultural exports.

Based on the most recent data, world grain production will amount to \$1.5 billion. This figure suggests an increase in the average rate of growth of the last 15 years--2 percent a year--of approximately 4 percent more. This increment is primarily due to the exceptional production of the United

States, which can easily exceed 300 million tons. World consumption could be about 1.47 billion tons, and the really significant thing is that in the next 3 years, production will exceed consumption. Therefore, world grain reserves will increase after 2 years in which they tended to decline. Given this situation, it seems unlikely that there will be good international grain prices, so the figures mentioned for the major grains will probably not move any higher. If Argentina wants to increase its export earnings from grain, it will have to choose either one of two ways: either to increase its production spectacularly (as it has been doing since the last 5-year period), or to change the composition of its exports, and export primarily processed raw materials.



Key:

1. Area planted in wheat and corn (in thousands of hectares)
2. Wheat
3. Corn
4. Source: Department of Agriculture and Livestock
5. Estimated

The Soviet Union, which has been Argentina's main purchaser of grains in recent times, has changed its position since the removal of the U.S. embargo. In the period from January to November 1981, U.S. agricultural exports to the Soviet Union

increased by 70 percent, and sales (primarily of corn and wheat) amounted to \$1.35 billion. For the present season, despite the Polish situation, it is expected that the level of exports will be even higher, since the Soviet Union needs to import a large amount of grains because its current harvest has been much lower than planned in its economic development program.

World consumption is growing at an approximate rate of 5 percent, which is 30 million tons a year. Nonetheless, while Argentina can easily sell all its production, it is hard to get good prices, since the major purchasers will be supplied by the United States and the European Community. Furthermore, concerning the present price levels, the world's oversupply will push prices down. In addition, the United States wants to get rid of its stocks rapidly because of the high financial cost of holding on to reserves, and the pressure of high interest rates. Argentina hopes to sell part of its crop to the Soviet Union, but to date, only some earlier contracts have been met. As of the second half of January, Argentina had shipped 2.5 million tons of wheat to Russia, and the rest of its sales will go to Brazil, Bolivia, Paraguay, Chile, and Iraq. According to unofficial reports, the Soviet Union may be renegotiating its contracts with Argentina in order to obtain lower prices than it pays now. For sorghum and corn, the contracts set a total of 4 million tons, and to date, the contract has not been renegotiated.

While the trend seems to indicate a rapid increase in agricultural production, and therefore in the exportable margin, in order to continue this expansion it will be essential to invest more capital in agriculture. Apparently, work has been done in recent years without making any major investments, and despite the record harvests, the use of special seeds and fertilizers has declined. Furthermore, we must mention that the greater part of agricultural investments increased during 1981 above the general level of the wholesale price index, and also exceeded the plant and animal production indices, according to data supplied by the department of agriculture and livestock.

The biggest increases have come in the use of herbicides, which increased last year by 309 percent and in the use of fertilizers, which increased 259 percent. Mills and water suppliers raised their prices by 218 percent, and the price of tractors rose by 187 percent. It is worthwhile to mention that the wholesale price index rose by 180 percent, which placed under this index only plowing equipment, with an index of 118 percent.

**(1) Producción**  
**(En miles de toneladas)**

(2)	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82*
Cosecha fina.....	10.401,0	8.797,9	7.439,1	10.208,6	13.276,0	7.263,0	10.191,0	9.948,0	9.363,0	9.000
Cosecha gruesa.....	(3) 16.679,9	18.128,8	14.669,3	13.704,7	18.435,0	22.033,0	21.357,0	15.316,0	24.577,7	27.000
TOTALES.....	27.080,9	26.925,8	22.108,4	23.913,3	31.711,0	29.296,0	31.548,0	25.264,0	33.940,7	36.000
* Estimado (4)										
(5)										

**Key:**

1. Production (in thousands of tons)
2. Smaller harvest
3. Major harvest
4. Totals
5. Estimated

In the opinion of our agricultural producers, if we are to continue this program of expansion, greater support and incentives must be provided by the government. They claim that, in competition with a market in which there are countries with some significant comparative advantages in terms of shipping, or whose exports are directly subsidized (such as the European Economic Community) it would be dangerous not to accompany that program with an increase in profit levels. We should recall that in recent years, Argentina, confronted with the subsidies favoring European meat exports, combined with changing habits of consumption all over the world, has gradually been liquidating its livestock herds. Everything suggests, according to people involved in agricultural production, that if we do not deal with this situation realistically, our grain exports could face problems similar to those of our meat or industrial exports. A pragmatic view suggests that the government is not prepared to destroy its most successful export item, especially when we realize that it is the main weapon in an ambitious export strategy designed to handle the largest foreign debt in the nation's economic history.

7679

CSO: 3010/1079

## OFFICIAL REFERS TO 1981-82 GRAIN HARVEST FIGURES

Buenos Aires LA NACION in Spanish 13 Mar 82 pp 1-2 Sec 3

[Text] "The total volume of this season's harvest, including both harvests, is expected to range between 34 and 36 million tons," explained Mr Luis Cuccia, director of rural economics and sociology at the Secretariat of Agriculture and Livestock. He added the qualifying remark that these data are only a first approximation based on the area sown. He expects to obtain between 10 and 12 million tons of corn, compared with 13.5 million tons last year. The official attributes this decline primarily to the fact that a smaller area was sown. He said that while this year could repeat last season's performance, last year's yields set a record. For these reasons, he felt that, for the time being, the estimate given is a prudent one.

For sorghum, Mr Cuccia said that this season the area sown is slightly larger, but considering the fact that last year's yields were very good, "we are expecting to obtain between 6.4 and 7.8 million tons this season, compared with 7.5 million tons last year."

Last year's soy crop was 3.7 million tons; for this harvest, an increase of approximately 11 percent is expected, bringing the total between 3.9 and 4.2 million tons. This sizeable increase is due largely to an increase in the area sown, and to improved yields. A large increase is also expected in the sunflower crop, again because of an increase in the area planted, as well as improved yields, brought about by the use of hybrids. The sunflower crop should be between 1,300,000 and 1,600,000 tons, compared with the figure of 1,260,000 tons produced in last year's crop.



## Large Volumes

Taking into account the rest of the crop of the major harvest--peanuts, millet, rice, etc.--this season's volume could be between 21 and 26 million tons, compared with 26.8 million tons last year.

The margin in this estimate is large, but based on the area sown and the good climatic conditions, "we can say that we will continue to have large volumes which, combined with the grains harvested in the smaller harvest, will give us large surpluses which can be exported."

Mr Cuccia added: "It is probable that, including exports of seed-based oils and byproducts, we may be exporting close to 70 percent of our harvest, which is certainly a high proportion. In the specific case of the major harvest, we estimate that we could have about 15 million tons for export, compared with 16 to 17 million tons last year. This would mean earnings for Argentina of about \$2.5 to \$2.6 billion, somewhat less than the \$2.9 billion we earned last year. This smaller amount is caused primarily by a decline in international prices."

## Strong Demand

Speaking about future trends in grain prices, Mr Cuccia said that during the decade of the 1960s an advance in summer crops, such as corn and sorghum, began to be seen in relation to winter crops. Beginning in 1975, with the expansion of the soy crop and the rest of the oleaginous plants, there has been a strong development in these crops.

"Obviously," he added, "these are products for which there has been a strong international demand over the past 20 years, since they have not been replaced by the countries which traditionally import them. For this reason, these products, over the long term, have had a stronger demand and greater market expansion. Forage crops are also associated with all the self-supply meat policies which have been firmly applied in all the importing countries, in Europe as well as Japan. This suggests that in the future grains will continue to be products for which there is a strong international demand."

7679

CSO: 3010/1113

## MASSIVE FERTILIZATION PROGRAM STRONGLY PROPOSED

Buenos Aires SOMOS in Spanish 26 Feb 82 pp 46-47

[Article by Roberto Fernandez Taboada; research by Ruben Chorny and Jorge Alurrialde]

[Text] Inflation is carrying out its own scorched-earth policy; even while sounding a retreat, it continues to ravage the economy. It may begin to level off (as it now appears), but while doing so, it will disrupt a large number of activities. There are some sectors of the economy which need inflation in order to subsist; if inflation is reduced, they collapse. And something of this nature could be about to happen if (as is expected) the minister Roberto Alemann manages to tame our runaway inflation.

As there can be no question of going around measuring how many and which activities need a 15, 30, or 70 percent inflation rate, the appropriate thing to do is to locate areas in which channels for economic expansion could be opened up. It seems (and this should not be taken to mean that he has no other areas in mind) the minister of the economy may be making some efforts in the energy sector; this could give some meaning to the debate about whether the subsoil should be privately held or not. The former minister Alvaro Alsogaray has proposed as an area for expansion a rapid fertilization of our rural areas in order to increase agricultural production, beginning with our next harvest. Some days ago he proposed in LA PRENSA: "Through the massive use of fertilizers and other methods we can bring about an immediate increment in agricultural production of about 25 percent." An increase of that magnitude would mean additional export earnings of about \$1 billion. With a foreign debt like our present one (\$34 billion), added revenue of that amount, rather than being simply of interest, sounds essential.

Officials at the INTA [National Institute of Agricultural and Livestock Technology] are thinking along parallel lines. "I don't know what the reaction at the Ministry of Economy will be. But it is my duty, as a technician, to make the proposal that some aid be provided in order to bring down the price of fertilizers, by using an IVA [Value Added Tax] exemption or some other means. Not forever, of course, but so that the use of fertilizers could be expanded for a period of several years, as has been done in some other areas," Enrique Gobee, the director of the INTA, told SOMOS. The chart showing fertilizer use could then become an issue, or at least be discussed, as is happening in some areas. Alsogaray proposes that it be made easier for farmers to buy fertilizers "without paying taxes of any sort, and to be able to pay based on the harvest produced." Furthermore, as droughts and excessive rainfalls do not usually affect all areas and all crops at the same time, he suggests that the state bear the cost of fertilizers in cases in which harvest failures are caused by some climatic reason. As the total volume of the harvest would be increased (meaning greater tax revenues), this form of insurance would not entail any added costs for the treasury.

Argentina is a country which uses only very small quantities of fertilizers, and to make matters even worse, their use is erratic. According to a technical measurement index prepared by the FAO, during the 1979/80 season, Argentina used barely 37 units of fertilizers, compared with 294 units used in Australia, 749 in the Soviet Union, 410 in Canada, 1,106 in the United States, and 3,116 units in France! And the comparison, when made with countries with a level of development similar to Argentina's, doesn't improve. Local fertilization levels are between 10 and 30 times less than those in Brazil, Mexico, or Uruguay. The reasons for this sparing application are varied. Specialists maintain that basic information is lacking, that the prices of fertilizers compared with the prices of the agricultural produce discourage their use, that there are no policies to provide incentives for fertilizer use, and there are many mixed-use farming operations (agriculture and livestock).

On the subject of prices, a producer in the wealthy Rojas area in the Buenos Aires region had this to say: "Wheat makes up the major part of my crop. I am in an area with good soil, so I can fertilize the future wheat crop by using soy from the earlier harvest; this provides nitrogen for the soil. This process of natural fertilization does increase the yield per hectare, but never to the extent that fertilizers would. If urea is used, the yield can be increased up to 1,300 kilos per hectare.

But, even without the IVA, fertilizer costs \$370 per ton, and we have to use 100 kilos per hectare. And if we consider the price of wheat," adds Alfredo Camogli, "the investment can't be justified, based on the present price structure. Of course, if the price of fertilizers were to decline, then everything would be different."

For the current wheat season, a cost of 500,000 pesos per hectare has been calculated. But if we had managed to fertilize, it would have amounted to 750,000 pesos. In itself, the increased cost would discourage the application of fertilizers, but in this area, the major factor is not so much money, but water. For without water, fertilizer does not work, and faced with the possibility of a water shortage, this increase in costs becomes a major deterrent. For this reason, any policy designed to promote the intensive use of fertilizers must include this climatic factor in its design, and this leads to the concept of insurance proposed by Alsogaray.

"If we could fertilize from 4 to 5 million hectares, we would have a production of 50 million tons," feels Mr Gobbee. The present harvest may possibly amount to 37 million tons, which will set a record. It would certainly be of interest to make the leap from this level to a production of 50 million tons. But the application of fertilizers in a more or less massive form could come about through necessity. In the past 5 years, our production has become polarized, with crop production rising and livestock production declining. There has been a decline of about 450,000 head of livestock annually in our corn belt. It also happens that because of this, there is insufficient crop rotation for the soil to recover its fertility. Simply stated, the soil is not allowed to rest, and it wears out. "This inevitably brings us to the use of fertilizers," says Gobbee. "In some areas the damage to the soil has been so severe that it is practically impossible to get a normal harvest. The farmer, who is not aware of the true cause, blames this on the lack of rain. But what is missing is actually fertilizer."

The French have used massive applications of fertilizers, through subsidies. They have obtained yields of over 4,000 kilos per hectare, compared with Argentina's 2,000 kilos per hectare. But in areas where 400 or 500 kilos per hectare have been used, the French yields have reached 8,000 and even 9,000 kilos per hectare. "It is true that the use of fertilizers does entail some risks, because we must have a reliable water supply for the fertilizers to work, and the prices are quite high.

But we will have to find a way to do this," David Lacroze, the undersecretary of agriculture, told SOMOS. There is a lack of nitrogen in the corn-producing areas, because the crops are not being rotated with pasturage. Lacroze also mentioned, as an example, that the Salado basin area lacks phosphorus. Everything suggests that the time of fertilizers has arrived.

7679

CSO: 3010/1079

GRAIN MARKET PROSPECTS, SOWN ACREAGE ESTIMATES CITED

Buenos Aires LA NACION in Spanish 13 Mar 82 pp 1-2, Sec 3

[Interview with Diego E. White, coordinator of the AACREA agreement between the Bank of the Argentine Nation and the Bank of the Province of Buenos Aires Foundation]

[Excerpt] Following is the text of our interview with Mr White.

Price Situation

Question: Are the current grain prices good in relation to the prices last season and in relation to the average prices of recent years?

Answer: The price situation is different for each grain. Still, if we take a weighted average of our agricultural production on the damp plains, based on the volume of production of each grain, we can say that the prices of the 1981/82 season, in constant currency, should be about 20 percent below the average prices of the last 20 years. Nonetheless, they will definitely be better than last season's very low prices. This will remain valid provided that the prices of the futures market or prices for delayed deliveries of produce not yet sold, such as soy and sorghum, can be maintained. In the case of wheat, the average December, January, and February price quotations were very close to the historic average, but they were 12 percent higher than the 1980/81 prices, stated in constant currency.

In the case of corn and sorghum, the situation is completely different since, using as a guide the May price quotations for contracts for future deliveries, and making a theoretical adjustment for expected inflation, the prices would be about 12 to 14 percent above last year's prices. In comparison with the



average prices of the past 20 years, the situation is clearly worse, since the prices are on the average 28 percent lower for corn, and 23 percent lower for sorghum.

It is important to mention that the recovery of the exchange rate has been partially offset by the strong decline in international prices, 28 percent less than last year's prices. The current prices are the lowest in the last 20 years.

For the case of oleaginous plants, the recovery has been much more marked with regard to sales last season (coinciding with the lowest values), even though the price situation is still poor in relation to the historic averages.

For soy, using the price quotations for delivery in June, the prices, given in constant currency, are 15 percent higher than last season's, but are still 28 percent lower than the historic average.

Sunflower's relative price situation is similar to soy. That is, the prices are definitely better than last season's (54 percent), but still far from the average in recent years (15 percent lower).

In summary, while for all our crops it is possible to expect a definite recovery of prices over the depressed prices we had last year, in no case can we speak of truly favorable prices.

We have to remember that in all cases international prices are extremely low; this is explained not only by the exceptional harvest the United States had last season, but also by the negative impact of the serious recession in the developed nations, the rise in interest rates, and of course, the unstable and troubled international situation.

Internally, prospects for a large harvest (probably setting a new record) combined with the immobility of the exchange rate during January and February of this year, have led to gradually declining prices for agricultural produce since the start of the year.

#### Profits and Margins

Question: How are the profits and margins for each crop?

Answer: Simply as a guideline, and speaking in a very general way, since it is very hard to cover in one statement the situation of different areas and particular cases, we can say that

profit margins and returns on capital invested in agriculture are going to increase notably over last year.

This situation is caused by the combination of a larger proportional increase in the value of our production (prices for our crops) than in the cost of production.

This general trend does not have the same magnitude in different ecological areas of the country, and of course, it differs for each crop.

In the case of corn, in the traditional corn belt (the northern part of Buenos Aires Province and the southern part of Santa Fe Province), with medium to high yields (50 quintals per hectare), at updated prices, the profit margins will increase by approximately 12 percent in constant currency.

For soy, in the same area, the increase should be about 27 percent. Sorghum, in the western area, with a yield of 45 quintals per hectare, will have only a 5 percent improvement in its profit margin.

We should remember that these figures are guidelines, and are adjusted to production models higher than the levels considered average, both in terms of yields and the technology used.

Question: With the present grain prices, is it possible that we may have an increase in the area sown in the 1982/83 season?

Answer: The farmland in our country has not had any significant variations in recent years; it has remained at about 20 million hectares. What does change is the relative composition of that area, that is, the amount planted in each crop.

Based on current prices for beef and the relative prices of meat and grains, it would not be reasonable to expect an increase in mixed-use areas, which are the most sensitive to changes in the area sown.

Considering the current prices of different grains, and assuming that these prices will be the same at the time of planting, we could expect an increase in the area planted in wheat (with highly favorable relative prices), causing an increase also in the area planted in soy and sunflower (as succession crops), while the area planted in corn and sorghum would decline.

7679

CSO: 3010/1113

## HIGH PRICES BLAMED FOR CRISIS IN AUTO INDUSTRY

Buenos Aires SOMOS in Spanish 5 Mar 82 pp 46-48

[Article by Jaime F. Cespedes: "Car Trouble"]

[Text] The Argentine auto industry has been experiencing a totally new situation since the middle of last year. It is as if the market had suddenly shrunk to one third (or less) of what it had been. At first it was thought that this would be a transitory phenomenon and that the spring would bring bigger sales. But afterward the phenomenon became accentuated and it is speculated now that one of the biggest factories will suspend production during March. During earlier crisis years (such as 1976 and 1978), production in spite of everything came to something like 200,000 cars per year. The way 1982 looks now, the figure will not even be 100,000, compared to an output capacity which is definitely above 300,000 units.

In January, the plants turned out 9,986 units and that is the lowest figure for the past 16 years. In February output usually drops due to vacations so that, even during a year of high production, such as 1980 (with 288,917 units), only 6,814 vehicles came off the assembly line during that month.

But the serious thing this year is that March, which usually brings a strong recovery, threatens to end with an abnormally meager result and it does not look as if the situation would improve too much during the following months. What is happening to the automotive industry? In the final analysis, although the economy in general may be in a recession, and in spite of the acute aspect of this decline, it is still far from the crisis that besets the auto industry.

For the administration, the problem is basically one of crisis. An official in the Ministry of Economy told SOMOS: "The factories must take the loss. They accepted higher costs and today they see that they cannot mark the prices up again. They ought to absorb that through agreements with their suppliers, personnel, and creditors. If the price today is 100, let them cut it to 80. Those 20 in losses represent the investment they must make to revive the entire operation. That is the investment that springs from the decline in inflation." We must surely not fail to call attention to the fact that the factories are raising prices month after month while they sell less and less.

Auto manufacturers reply that their products have gone up less than prices in general. Auto parts dealers on the ~~other~~ hand report that they are the ones who have fallen behind most in this matter; they point out that, on the basis of an index

of 100 for December 1977, we would get a figure of 2,241.0 for auto engines in January 1982, a figure of 1,433.9 for auto parts, a figure of 2,807.2 for consumer prices in general (INDEC [National Statistics and Census Industry]), and 2,567.2 for wholesale prices. The lifting of restrictions on parts imports and the elimination of the so-called positive list (which specifically provided what parts could be imported by the assembly plants), instituted in 1979, enables the factories to exert greater pressure on their suppliers. If we keep in mind that three factories closed in recent years (General Motors, Citroen, and IME [State Mechanical Industries])--which permitted higher output scales for the remaining factories--then it is not difficult to explain why autos and profits increased so much that the parts which are purchased from third parties in most cases represent no more than 20 percent of the price charged to the public for an engine.

Ernesto Pedrero, president of the Argentine Chamber of Auto Parts Industries, presented a very pessimistic picture of the situation for SOMOS and blamed a good deal of what is going on now upon excessive imports. He said: "In 1981, according to official reports, between 80,000 and 100,000 units were imported, although toward the end of the year, imports slowed down, as a consequence of the fact that the dollar resumed its level." He then expressed his worry about the desire of the assembly plants to import more auto parts which would even more affect his sector especially if one keeps in mind that the auto engine factories themselves also produce auto parts; in some cases (Renault, for example), a high degree of verticalization was achieved.

Carlos Mandry, president of ADEFA (Association of Motor Vehicle Manufacturers) and of Volkswagen Argentina, thinks that the crisis will be resolved through greater integration of local industry with international industry. He says: "Auto engine factories are having problems not only in Argentina. In the past, every country tried to have its own factories. Now the situation is different because the auto-engine producing countries are going to be very few in number but with great economies of scale whose planning permits broad coverage of worldwide needs. Mandry alluded to the idea of compensated exchange which will enable an enterprise to import parts if it simultaneously exports. He furthermore suggests that the system should also cover finished auto engines because, as was demonstrated when the customs barriers on imports were lifted, "the public was eager to buy new models." A colleague agreed with this situation estimate and said that public demand went up much as a result of imports. "There was nothing about options here," he said. "The people want automatic steering, automatic brakes, radio and stereo, and air conditioning."

SEVEL Vice President Ricardo Zinn declared: "The automotive industry must adjust to the 1982 demand in terms of the level of its cost structure and its efficiency. It must also analyze whether that demand, which is substantially lower than what it was in 1980, does not signify a structural change (regardless of the influence of worldwide and local depression) due to the possible saturation of the market, in other words, the disappearance of the customer who is buying his first car." This undoubtedly is an important point in the analysis. In the Argentina of 1982, practically one out of every two families has a car. We have arrived at the point where each new unit that is sold presupposes that an older car is headed for the junkyard. This is definitely reflected in the decline of used car prices. According to a survey conducted by SOMOS, a 1978 model in January 1981 had 64 percent of the value at zero kilometer



on the average for four models coming from separate factories; just a year later, that ratio only came to 42 percent. In other words, prices of used cars went up less than half that of new car prices means that to replace your car, you must put down a much greater difference in terms of money at constant value. This also explains the drop in sales.

Other factors that have emerged to explain the crisis involve high taxes which in Argentina, according to opinions obtained in the industry, by 15 percent (on top of the sales price) exceeded the level in producer countries. In this connection we must recall that the tax reduction (7 percent) ordered for the last 3 months of last year created certain anticipations as to sales and is a concurrent cause of this year's low sales. It is interesting to point out that, in the context of the new hydrocarbons law which the Ministry of Economy has drafted together with the Ministry of Public Works and Services, there is to be a slight increase in gasoline prices and a major increase in other derivatives (with a subsequent greater tax revenue); parallel to this, it has been proposed to drop the 7-percent tax for the highway fund. This will revive the demand and it is expected that the higher real fuel price will orient it more toward models that consume less fuel.

Finally, we have the problem of interest rates which decisively influence sales because many cars are sold on credit. Interest rates continue to be high and if inflation declines as anticipated by the minister of economy, it is probable that they will decline in nominal terms but that they will rise in real terms. This means that buying on credit will be even more burdensome for the user.

What are the auto engine plants asking of the government? According to Mandry, this situation is still being studied. Manufacturers in this branch know that the administration is tough and little or not at all inclined to solutions that imply the maintenance of high prices. This is why the enterprises that have others of the same make in Brazil would be inclined toward greater compensated exchange which would enable them not only to obtain auto parts at lower prices (in exchange for exporting those which are produced relatively more cheaply in the country) but also to concentrate their production on less models, thus achieving diversification through this exchange. This moreover will help lower costs. But not all factories would agree with that. An enterprise in the sector reportedly offered the administration a price agreement, that is to say, something similar to the agreement last October but with greater rigidity regarding the maintenance of prices; but the proposal did not get anywhere. Another industry manager summarized his thinking as follows: "As for the system for the industry, the assembly plants do not have any effective protection because, in contrast to the freedom to import finished auto engines, they face the ban on importing most of the parts they use. The hopes of the finishing plants can be summarized in a setup that would guarantee effective neutral production and an expansion of the market because of the decline in financial costs and other points of inefficiency in the industry, both in the government sector and in the private sector."

Both the minister of economy and the representatives of the factories right now agree that the problems springs from prices. The factories should orient their proposals in that direction, realizing that, with lower prices (to which the

administration will at the right time also contribute through the elimination of the 7-percent tax for highways), the market will not only recover but will expand. When there was as yet no crisis, entrepreneurs in the sector estimated that, with relatively lower prices, which they hoped to achieve with some effort and with much investment (which is underway), the Argentine market should be something like 500,000 units per year, not 250,000-350,000 as it was until 1981. This figure is arrived at by considering that the useful life of auto engines is abnormally long in Argentina and that, if prices were lower, the public would consider it uneconomical to spend too much on cars that are too old. Besides, after having had an opportunity to get a close look at the tremendous technological progress embodied in many imported models, we can see that the local industry in this respect has a vast field of action ahead of it when it comes to stimulating the renewal of the entire motor pool.

Everything seems to indicate that the industry is hesitating between continuing the policy of the past--thinking that the administration will at some moment yield in the face of a threat of growing unemployment--or resolutely embarking upon a new strategy which, although difficult, is definitely the one that enabled them to achieve the explosive postwar expansion in the United States and Europe.

5058

CSO: 3010/1133



## TAX INCREASE SEEN AS HARMFUL TO BUSINESS

Santiago EL MERCURIO in Spanish 13 Mar 82 p C 1

[Text] The president of the Industrial Development Association (SOFOPA), Bruno Casanova, stated yesterday that he does not think it is possible to overload the costs of the private sector with higher taxes, indicating that "this would only aggravate the present recessive situation by contracting demand further."

The business leader, who was in Antofagasta yesterday, was referring to the speech given last Thursday by the president of the republic in which he announced that the Finance Ministry will propose the necessary measures for reducing public spending and raising some tax revenues as much as possible.

In a written statement, Casanova commented: "The words of the president provide proof that the private sector is in a grave economic situation, reflected in a drastic drop in production, sales and employment since last September. The situation has worsened in the first quarter of this year, and has had repercussions in the public sector through a budget deficit resulting from lower revenues."

The business representative expressed the opinion that "the industrial sector is not in a position to endure new cost increases, which would mean further, intolerable deterioration."

"Given the serious nature of the situation, we applaud the president's decision to reduce government spending and thus expedite the adjustment process. In our opinion, this is the only way to keep the burden from being borne by other sectors, which are already suffering tremendously from the economic situation."

## Metallurgical Sector

For the president of the Metallurgical Manufacturers Association (ASIMET), Carlos Cerutti, a good way to increase tax revenues would be to raise customs duties on manufactured goods.

He said that this measure would also reactivate national production, increase employment and produce greater tax revenues through a more active economy.

Cerutti indicated that the president's statement that the economic and social policies that are guiding the country will not be changed is a reiteration of what he has been saying all along.

He termed "very positive" the chief of state's assertion that immediate problems will be dealt with pragmatically, and that measures will be taken to improve what has already been done.

He expressed his approval of the president's statement at the meeting at which trade unions saluted the first anniversary of the country's Political Constitution, to the effect that there is great unity between labor and management. According to Cerutti, his organization has always promoted such unity.

#### Retail Trade

The president of the Confederation of the Retail Trade, Rafael Cumsille, indicated that what the president was trying to say in his speech was that there will be stricter enforcement of tax laws. "I don't think taxes will go up," he remarked.

Nonetheless, he noted that stricter enforcement always has an impact on retailers, so there will be greater pressure on that sector by the Internal Revenue Service.

According to Cumsille, the stronger control should be aimed at the sectors where there is real tax evasion. He mentioned the black market as an example.

#### Authorities

It was impossible to learn yesterday how the authorities of the Finance Ministry plan to cut public spending and raise tax revenues.

Martin Costabal, budget director, said that the measures announced by the chief of state are under study, and declined to comment.

It was also impossible to get an answer from the director of the Internal Revenue Service, Felipe Lamarca, after EL MERCURIO contacted him through his secretary.

8926

CSO: 3010/1122

## CARABINERO INSPECTOR GENERAL, FOUR OTHERS RETIRE

Santiago EL MERCURIO in Spanish 15 Mar 82 p C 1

[Text] The High Command of the Carabineros announced yesterday the voluntary retirement of five generals of that institution, among them Inspector General Abel Galleguillos Araya. Their resignations are effective today, Monday.

The present director of logistics for the Carabineros, Gen Rodolfo Stange Oelckers, will take over as inspector general. It was also announced that four colonels have been promoted to the rank of general; they will be invested next Friday.

The official communique reads as follows:

"On 1 March 1982 the High Command of the Institution accepted the voluntary resignations tendered by the following generals. Their resignations will be effective as of 15 March of this year.

"Inspector General Abel Galleguillos Araya, Gen Carlos Reddersen Rogge, Gen Mario Pineda Melo, Gen Omar Lira Mieres, Gen (SD) Dr Otto Berg Gesche.

"Since these posts will be vacant as of 15 March 1982, the High Command has issued the following promotions of general officers:

"To inspector general: Gen Rodolfo Stange Oelckers, currently director of logistics in the Carabineros, will be promoted to inspector general.

"To general: Col Jorge Appel Mellado will become chief of the Valdivia Fifth Inspection Zone of the Carabineros, headquartered in the city of Valdivia.

"Col Marcelo Salas Wenzel will become chief of the Professional Technical Support Office of the Carabineros.

"Col Hugo Valenzuela Osorio will become chief of the Valparaiso Second Inspection Zone of the Carabineros, headquartered in the city of Valparaiso.

"Col Juan Lillo Cea will move up to the General Directorate of the Carabineros.

"Col (SD) Dr Mario Chavez Rivas will become chief of the Dental Health Subdirector of the Carabineros.

"Santiago, 12 March 1982."

Fernando Cordero Rusque, Major in the Carabineros, Interim Chief of the Department of Public Relations

8926

CSO: 3010/1122

## BRIEFS

GASOLINE PRICES DOWN--Several executives of national fuel distribution companies stated that the real price of gasoline has dropped as a result of the maintenance of the value of the product in recent months. The decline in international prices of petroleum, however, has not had any effect on the domestic price, because Chile obtains its supplies on markets such as Venezuela, Gabon and Ecuador, where there has been no major movement in prices. These statements were made in response to a question about why gasoline prices in Chile are not dropping apace with the fall in international petroleum prices. [Excerpt] [Santiago EL MERCURIO in Spanish 14 Mar 82 p C-1] 8926

CSO: 3010/1122

## ACTIVITIES OF SCIENCE ACADEMY DESCRIBED

Havana BOHEMLIA in Spanish 19 Feb 82 pp 76-79

[Article by Iliana Garcia Giralдино]

[Excerpt] It should be noted that the ACC [Academy of Sciences of Cuba] inherited the scientific traditions of the old Royal Academy of Medical, Physical and Natural Sciences of Havana which was founded in 1881. Illustrious people of the 19th century like Carlos J. Finlay, Felipe Poey, Alvaro Reynoso, Esteban Pichardo and Andres Poey worked there.

The present ACC has the following main prerogatives and functions:

To carry out scientific research that helps introduce changes and innovations to improve production processes and services as well as create new products and more advanced technologies;

To promote the development of studies and research on the natural resources of the country, environmental conservation, improvement of information systems and methods and study of national historic and social processes and those of other countries;

To offer scientific and technical services such as information and meteorology; and

To promote scientific and technical development in Cuba in coordination with other organisms and organizations.

One of its more important activities is the study of marine resources and their definition and rational exploitation, including detection of new resources and the development of methods for their use.

Other important activities include: environmental conservation, analysis of environmental pollution and establishment of scientific bases for agriculture which covers soil research, new plant varieties and their protection against insects and diseases with special emphasis on sugar cane and other important crops.

It is also in charge of the development of scientific bases for industry and communications which includes determination of technical and economic possibilities for the use of solar energy in Cuba, the principles and applications of quantum electronics and studies on the peaceful use of nuclear energy.



Other tasks include improvement of the National Scientific and Technical Information System, development of the application of electronic computers and Marxist-Leninist research on social and historic processes.

Decree Law No. 31 of the Council of State dated 10 January 1980 made the ACC responsible for the state science and technology sector.

Agreement No. 741 of 1980 of the Executive Committee of the Council of Ministers approved a new structure for the ACC: a president, 7 vice presidents and 17 independent directorates and departments.

### Twenty Years of Progress

The daily work of hundreds of workers made it possible to turn those improvised cubicles in the Museum of Natural Sciences in 1960 into the academy today with 23 research institutes, a national network of historical archives, a network of scientific and technical information centers, 8 museums of natural science, archeology and history, 3 zoos, an aquarium and other scientific installations.

To illustrate the endless list of scientific and technical achievements, we chose the most outstanding ones in the 5-year period 1976-80.

The agricultural branch saw the discovery of new varieties of sugar cane, rice, vegetables and citrus and new technologies for cultivation, irrigation and fertilization of priority agricultural products. Methodologies to spot and predict major infestations and diseases were recommended.

The livestock sphere benefited from achievements in the food base for cattle, swine and poultry and the productive and reproductive characterization of the main breeds and crossbreeds in the national cattle program.

Specific technology and more efficient techniques for catching tuna were recommended to the fishing sector. In the sugar branch, the DTC-600 clarifier was developed and introduced. It cuts the time for juice purification in half. New continual crystallization equipment helped increase industrial recovery.

Technologies for greater recovery of nickel and cobalt were developed. Concerning the introduction of advances in computers and cybernetics, the main research was directed at developing compatible technical means of computation under the CEMA unified system of electronic computers. Progress with minicomputers continued.

Geologists have increased knowledge about the geological formation and potential of the most likely zones for economically important production of oil, gas and solid minerals.

In the health field, factors associated with major diseases that affect us were defined and many methods for their prevention, diagnosis and treatment were assimilated.

Nevertheless, the level of application of research results, an aspect that the ACC is giving priority to, continues to be inadequate.

The Plan for Principal State Problems in Science and Technology includes 20 in the agricultural, livestock and fishing sectors, 25 in industry, 4 referring to environmental protection and conservation of natural resources and 4 on transportation, construction and geology.

Satisfied with the progress in these 20 years, confident and willing to offer their best efforts, the workers of the ACC continue in their desire to offer more important contributions to national development. They are aware that, as Karl Marx said, "In science, there are no real roads. Anyone who aspires to climb its shining peaks must be willing to scale the mountain on rugged paths."

#### 'PACT' Activities

The tasks under Cuba's PACT [Plan for Accelerated Development of Science and Technology] based on the CEMA framework continue to receive special attention from the ACC.

In 1981, there was work on a very important aspect for the execution of PACT: writing descriptive statements of all 17 subprograms in the plan after an in-depth process of analysis and coordination between the resources approved for the 5-year period 1981-85 and the objectives for this period.

This has led to bilateral intergovernmental pacts with Bulgaria, the USSR and the GDR. They will soon be signed with Hungary, Czechoslovakia and Mongolia.

In 1981, the task of directing and supervising the work plans for the execution of PACT, with the State Committee for Economic Cooperation, began.

There is also work on creation of a specialized foreign trade enterprise for science and technology which will benefit negotiations for supplies.

#### Soviet-Cuban Space Flight

The Soviet-Cuban space flight manned by Arnaldo Tamayo and Yuri Romanenko was a landmark in the scientific development of Cuba and the indestructible relationship of friendship and cooperation with Lenin's fatherland.

In close collaboration with the USSR, there was special attention to the design and preparation of a research program to be carried out during the flight. It covered aspects of economic and scientific interest in natural resources, medicine, psychology, biology and physical and technical sciences. Several national organisms participated.

The ACC has an Intercosmos Council whose objective is to develop research on space and its use for peaceful objectives in the country. It has the following work groups: space physics, space meteorology, study of the earth from space, space biology and medicine and space communications.

## Academy Specialties

Tropical agriculture  
Sugar cane  
Soils  
Agriculture and livestock  
Botany  
The brain  
Oceanology  
Chemistry and biology  
Experimental  
Social sciences  
Philosophical studies  
Scientific documentation and information  
Construction of scientific instruments for production  
Museums  
Zoos  
Zoology  
Geophysics and astronomy  
Geography  
Geology and paleontology  
Meteorology  
Nuclear  
Basic technical  
Mathematics, cybernetics and computation  
Literature and linguistics  
Centers for studies on history, organization and science  
National archives  
National office of inventions, information, technology and brands

## Nuclear Research

The commander in chief has given priority to the construction of a nuclear research center. The tasks involved in the execution of the investment process for its construction have received preferential attention from the ACC.

That institution will be the top nuclear research institute in the country and is very important for our scientific, technical, economic and social development.

Among other equipment and laboratories, the new center will have a reactor that will permit research in nuclear physics, radiochemistry and neutron physics. The results will have practical application in agriculture, medicine, metallurgy and other sectors.

Investments for the center cover research activities, cadre training, contracting of technical means and projection. They require collaboration from several institutes of the ACC and a number of enterprises and budgeted units of other organisms in the Central State Administration.

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CSO: 3010/1099

## DISTRIBUTION OF 'ANAP' MAGAZINE IN MATANZAS EXPLAINED

Havana ANAP in Spanish Dec 81 p 35

[Article by Chongo Leiva]

[Text] Several months ago, we embarked on a serious organizational policy to achieve better distribution of the magazine among the 10,415 peasants who are members of ANAP [National Association of Small Farmers] in this province and its 177 base organisms. We drew up a document that is being analyzed and discussed by the cadres in the municipalities. It strives to eliminate the disorganization that has existed in distribution.

In short, the main objective of our work is for each house, each family, to receive the magazine--that is, one subscription for each family. In this way, we can insure that the publication reaches other people who do not receive it now.

We know that there are homes that, as a result of the formation of a CPA [Agricultural and Livestock Cooperative] or a merger of CPA's or for other reasons, receive two, three or more copies of the magazine. We ask why this happens while there are other peasant families that do not receive it. We are working to make the subscriptions by family and not by individual. We already have concrete results of this work; for example, in the Crucero Aurora CPA in Limonar and the Camilo Cienfuegos CCS [Credit and Service Cooperative] in Jaguey Grande, each family receives one copy of the magazine. More magazines were received in the municipalities of Pedro Betancourt and Jovellanos than in other municipalities like, for example, Union de Reyes where only 47 percent of the total to be received arrived. We are working to balance and reorganize this distribution.

Actually, we had never done in-depth work in this sense. With this reorganization of subscriptions, we can recover more than 1,000 magazines that will reach homes that did not receive them before. We now receive 5,400 magazines. Of course, that does not meet our needs in the province since we have 6,550 families here. However, we promise to consolidate better distribution and, little by little, meet the demand.

Another important aspect we are working on is collection for the subscriptions. The year before last, 87 percent of the payments were collected in the province. In 1980, we collected 93 percent and we reached 100 percent in September 1981. We must add that we are doing this redistribution, stabilization and increased collection in salute to our Sixth Congress. We work with real enthusiasm to do this with top quality.

The changes made in transportation of the magazine--the use of trucks instead of the railroad--also help us. I think it is faster this way and the packages do not get lost as occurred before. This naturally affected the subscribers.

Also each provincial and municipal cadre has been made truly aware of the publication. When they leave the municipalities or base, they take the packages for their area with them. This is a reality that must be made public.

Lastly, I think that the quality of the magazine has improved in form as well as in content. The format is more original, the message is clear and the peasants understand it. Therefore, the magazine fulfills its role and satisfies the bases.

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CSO: 3010/1099

## DELAYS IN MAIL WITH ETHIOPIA EXPLAINED

Havana BOHEMIA in Spanish 19 Feb 82 p 80

[Text] This is another informative answer from the Postal and Telegraph Department being sent, in this instance, to internationalist worker Maria E. Rodriguez who is complaining from Ethiopia about the delay in the arrival of letters sent to Cuba from that friendly country.

First, we shall speak of mail leaving Cuba for Ethiopia, and we shall use the latest figures we have received from Mail, Press and Stamp Enterprise:

In December, a total of 13 mail shipments were made: 9,802 letters were sent in 41 mailpouches. This applies to Cuban mail only.

As a second aspect, we shall examine the incoming mail sector whose effectiveness depends on personnel in the country of origin: 9,333 letters were received in only four mail shipments.

As can be seen, during that month only four postal shipments arrived from Ethiopia. Meanwhile, 13 mail shipments, slightly more than 3 per week, left Cuba for Ethiopia carrying approximately the same number of letters.

In personal conversations we had with Cuban authorities in Ethiopia, it had been agreed to make two weekly shipments. Until now, this has not been done. We were informed that there are financial problems relating to the payment of transportation to Havana which would make it impossible to make more than two shipments per week with Cuba as their destination: one via Berlin, the other via Moscow.

We must explain that those mail shipments reach Cuba at the rate of one per week, but the contents (letters written by internationalists) may be dated long before. For example:

- 1) There is a delay between the time the letter is written and the time it is received.
- 2) Collecting all the mail from Cuban personnel working throughout Ethiopia can take at least 10 to 15 days more.
- 3) From the time the mail leaves Ethiopia for Cuba by air, another 7 to 10 days are lost with regard to transfers.



4) From the time of the mail's arrival in Cuba to its delivery to the recipient the time lapses are the following: For the provinces of Havana and Havana City, 24 hours; for the rest of the country, a maximum of 96 hours.

The solution for incoming mail originating in Ethiopia is to increase the number of weekly shipments. We are aware that our UNECA [Union of Caribbean Construction Enterprises] and CUBATECNICA [Cuban Technical Enterprise] partners are taking steps to solve this problem.

With regard to the reader's statement about the delivery of letters by mail carriers according to country, this is an error. The work norm for every mail carrier is to separate and deliver all letters received on a particular day for his mail route, regardless of country of origin.

We trust we have answered the complaints made by Maria E. Rodriguez and shall contact the proper organizations on the matter of increasing to two mail shipments per week from Ethiopia, a measure which can somewhat improve the regularity of incoming mail.

8568

CSO: 3010/1100

## ECONOMIC TERM MONETARY CONTROL EXPLAINED

Havana BOHEMIA in Spanish 19 Feb 82 pp 32-33

[Article by Alexis Codina]

[Text] "Monetary control" is a term used to describe one of the principles of economic calculation. It consists of using monetary indicators (cost, profit, yield) and finance-credit mechanisms (factors contributing to the budget, bank credit) to determine how a company uses its resources, measure the efficiency of its labor and bring about a rise in productivity.

This control is exercised in different ways. For example, in speaking of a company's overall plan, the control is exercised through the establishment of indicators, such as cost, profit and yield, whose attainment depends upon a certain level of efficiency in economic administration, establishing a correlation between the value of what the company produces and the material, human and monetary resources at its disposal. With the collections and payments system, a company is guaranteed not to receive funds greater than the value of the products sold, since it must pay for everything it purchases from its bank account whose availability basically increases with collections for the merchandise the company sells.

Bank credit plays an important role. The bank provides loans to companies in accordance with certain conditions, among which are: collateral, fixed-term amortization and interest payments. The company must guarantee that the material it purchases with the credit received "will produce" enough for it to amortize (pay back) the principal of the loan plus interest and also make a certain amount of profit. Through bank control of the wage fund, it is verified that any increase in workers' wages is backed by material goods, since the bank furnishes the money for the payment of wages in accordance with the level of attainment of the production plan.

Other forms of control for the peso are: the payment of fines or reimbursements for not fulfilling economic contracts, methods of contribution to the budget, etc. In the Economic and Social Guidelines for 1981-1985 it is stated: "In implementing the System of Management and Planning of the Economy, we must use the mechanisms of statistical, financial and banking supervision and achieve true 'control in the interest of the peso' over the phenomena of the economy."

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CSO: 3010/1100

## BRIEFS

ANIMAL FEED ENTERPRISES FINED--MAGA--Why must we continue to resort to arbitration in any situation which seems to demand it? The following announcement appeared in the Ministry of Agriculture's NOTICIARIO AGRICOLA of 18 November of last year: "Bird-raising Enterprises Reimbursed Through Arbitrary Decisions". Bird-raising enterprises in Matanzas and Isle of Youth were reimbursed for damages and losses they incurred. In each case the reimbursements were arranged through arbitrary decisions by the Ministry of Agriculture's arbitration board and its counterpart in Havana City. The losses were caused by spoiled feed supplied by animal-feed enterprises in Matanzas and the capital. The reimbursements amounted to \$15,954.97 for the Matanzas firm and \$6,291.92 for that of the capital. These amounts cover the profits lost by the two avicultural enterprises. In addition to decreeing that the damages and losses are to be paid for by the parties responsible, the arbitrary decisions are serving as a warning to the ministry's feed-producing enterprises to improve their productive efficiency and eliminate carelessness and negligence in the preparation of such important feed. NOTICIARIO's announcement is serving to present this and similar cases which have been called to public attention as an example to make everyone aware that the arbitration board is to be taken serious. [Text]  
[Havana BOHEMIA in Spanish 19 Feb 82 p 33] 8568

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APRIL 21-1982